

AR27

LES INDUSTRIES

Popular

INDUSTRIES

LIMITÉE
LIMITED



ANNUAL REPORT 1972





LES INDUSTRIES

POPULAR

INDUSTRIES LIMITEE
LIMITED



**This Report Marks the End of the First Year
in Our New Premises**

**6255 Hutchison Street
Montreal 155, Quebec**

Telephone: (514) 277-3144

Telex: 01-20270

Cable: SEAGULL — Montreal

COVER PICTURE

A View of the Reception
Area Leading to Our Showroom

ABOVE

Our New Entrance
Inviting You to Visit Us



Rapport intérimaire

Pour les six mois terminés le 30 avril 1972

Aux actionnaires:

Durant le semestre terminé le 30 avril 1972, les ventes ont baissé en comparaison de la même période l'année dernière. Les bénéfices nets ont connu une faible baisse durant le premier trimestre. Cette baisse est causée principalement par la rupture de notre exploitation durant la période du démenagement de notre siège social et de nos entrepôts. Ceci a donc nécessité une période de réadaptation.

Cependant, le second trimestre a permis une forte reprise à mesure que nous avons pu bénéficier des facilités de notre nouvel établissement. Les ventes se sont accélérées et la marge de profit s'est améliorée sensiblement en comparaison à l'année 1971. Il est bon de signaler que le profit net pour la période en cours a été calculé après avoir enlevé le montant de \$21,468 qui comprend les dépenses extraordinaires du démenagement.

Nous sommes confiants que notre nouvelle efficacité d'exploitation et la tendance ferme à la hausse de nos affaires auront des résultats favorables pendant l'année en cours.

Le président,
Michael Segal

le 20 juin 1972



État des bénéfices

(sujet à vérification)

Pour le semestre terminé le 30 avril 1972

	1972	1971
Ventes	\$4,691,726	\$5,301,938
Coûts et dépenses		
Coût des ventes, frais d'exploitation et d'administration (dépenses extraordinaires incluses pour démenagement \$21,468)	4,531,675	5,045,528
	160,051	256,410
Amortissement	11,290	5,314
Intérêts	44,188	80,392
	55,478	85,706
Revenu de l'exploitation	104,573	170,704
Provision pour impôts sur le revenu	50,000	89,400
Bénéfices nets pour le semestre	\$ 54,573	\$ 81,304
Bénéfices par action	6¢	8¢

État de la provenance et de l'utilisation du fonds

(sujet à vérification)

Pour le semestre terminé le 30 avril 1972

	1972	1971
Provenance du fonds de l'exploitation	\$ 65,863	\$ 86,618
Utilisation du fonds		
Nouvelles immobilisations, montant net	57,411	17,315
Augmentation du fonds de roulement	8,452	69,303
Fonds de roulement au début du semestre	2,420,281	2,370,251
Fonds de roulement à la fin du semestre	\$2,428,733	\$2,439,554



LES INDUSTRIES **POPULAR** INDUSTRIES LIMITED

AR27

Interim Report

For the six months ended April 30, 1972

To the Shareholders:

The sales for the six months ended April 30, 1972 showed some decline as compared to the same period last year. Net earnings were down slightly primarily because operations in the first three months were necessarily disrupted during the period of physically moving into our new premises, which includes our own bonded warehouse, and adjusting to our new environment.

However, the second three months of the year provided a strong recovery as the benefits from our new facilities began to be realized. Sales accelerated and profit margins are improving noticeably over those prevailing in 1971. It should be noted that the profit for the current period is after providing for non-recurring moving costs of \$21,468.

We feel confident that the beneficial effects of the internal operating efficiencies which have been instituted, together with the generally buoyant trend of our business, will reflect improved operating results for the current year.

Michael Segal
President

June 20, 1972



LES INDUSTRIES **POPULAR** INDUSTRIES LIMITED

6255 rue Hutchison Street

Montréal 155, Québec, Canada

Statement of Earnings

(unaudited)

For the six months ended April 30, 1972

	1972	1971
Sales	\$4,691,726	\$5,301,938
Costs and Expenses		
Cost of sales, operating and administrative expenses (extraordinary moving expenses \$21,468 included)	4,531,675	5,045,528
	160,051	256,410
Depreciation and amortization	11,290	5,314
Interest	44,188	80,392
	55,478	85,706
Income From Operations	104,573	170,704
Provision For Income Taxes	50,000	89,400
Net Earnings For The Period	\$ 54,573	\$ 81,304
Earnings Per Share	6¢	8¢

Statement of Source and Use of Funds

(unaudited)

For the six months ended April 30, 1972

	1972	1971
Funds Provided From Operations	\$ 65,863	\$ 86,618
Funds Used		
Net additions to fixed assets	57,411	17,315
Increase In Working Capital	8,452	69,303
Working Capital — Beginning Of Period	2,420,281	2,370,251
Working Capital — End Of Period	\$2,428,733	\$2,439,554

FINANCIAL HIGHLIGHTS

for the year ended October 31, 1972

	1972	1971
Sales	\$10,682,447	\$9,901,968
Income from operations	\$ 488,163	\$ 188,247
Net earnings	\$ 253,163	\$ 96,247
Net earnings per share	26¢	10¢
Number of shares outstanding	975,000	975,000
Shareholders' equity	\$ 2,751,636	\$2,498,473
Working capital, end of year	\$ 2,624,793	\$2,420,281

BOARD OF DIRECTORS

Stanley Butler, M.D., *Lakewood, California*
 Gerald Cohen, *Montreal, Quebec*
 Yoine Goldstein, *Montreal, Quebec*
 Jean-Eudes Saint Gelais, *Montreal, Quebec*
 E. Allan Lovelace, C.A., *Toronto, Ontario*
 Michael Segal, *Hamilton, Bermuda*
 Gordon C. Watt, *Montreal, Quebec*

OFFICERS

Michael Segal, *President*
 Gerald Cohen, *Senior Vice-President*
 Charles Akerman, *Vice-President, Sales*
 Seymour Steinman, *Vice-President, Sales*
 Yoine Goldstein, *Secretary-Treasurer*

MANAGEMENT

John Ming Chen, B.Comm., *Far East Purchasing Manager*
 John E. Jalbert, C.A., *Controller*
 Sheldon Zimmer, M.B.A., *Assistant to Senior Vice-President*

TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company, *Montreal, Toronto,
 Calgary, Vancouver*

AUDITORS

Richter, Usher & Vineberg, *Chartered Accountants*
Montreal, Quebec

BANKERS

The Toronto-Dominion Bank, *Montreal, Quebec*

LISTED

Montreal Stock Exchange

PRESIDENT'S MESSAGE

TO THE SHAREHOLDERS

It is with great pleasure that I report on the activities of your company for the year ended October 31, 1972. The accompanying financial statements reflect the strong surge forward in all areas of operations during the past year.

SALES

Sales of \$10,682,447 were the highest in our history and reflected an increase of 7.9% over the prior year. The significant increase of \$780,479 resulted from a combination of factors including a more effective sales management team, a broadened sales force and a wider range of wearing apparel products. The momentum created by the accelerated sales activity has been carried into the current year and we are confident of continued growth in sales.

EARNINGS

Our net earnings for the year show a significant increase over the prior year. It is gratifying to report that net earnings amounted to \$253,163 or 26 cents per share compared to 1971 net earnings of \$96,247 or 10 cents per share.

The improved earnings result from a combination of increased sales and tighter control of overhead and inventory. The effect of management direction in these areas is reflected by the fact that net earnings this year represent 2.4% of sales as compared to 1.0% in 1971.

NEW PREMISES

We operated for the past year from our new location at 6255 Hutchison Street, Montreal. The advantages of our new facilities, which I reported to you last year, are an additional factor in the improved results reflected in the accompanying financial statements.

In addition to increased operational efficiencies our new head office is equipped with a large, well appointed showroom which provides our sales team with the opportunity to adequately display a full range of wearing apparel to major chain and department stores.

FASHION FOR THE ENTIRE FAMILY

With the diversity of our products, we offer a total service to retailers who wish to serve all segments of the Canadian population with wearing apparel. Since we cater to the mass market in fashions for men, women, boys and girls, customers are able to outfit the entire family with items to suit virtually any styling preference and budgetary consideration. Sales figures indicate the wide consumer acceptance afforded our products and favourable comments from buyers attest to our reputation for providing quality garments that represent good value for the sales dollar.

WORLD MANUFACTURERS

Under supervision of our management team, our overseas suppliers adhere to strict specifications, inspection procedures and quality control in the manufacture of all products for Popular Industries Limited. Whether the products are jackets, slacks, sweaters, sportswear, ski wear, shirts, blouses, knitted tops and sets, or sleep wear, our customers are assured of consistent quality of workmanship.

Because of product diversity, our business is not solely dependent on quota items and we will always be in a position to obtain sufficient volumes of imported products to ensure continued growth in sales.

NEW MEMBERS OF THE BOARD

At the forthcoming Annual and Special General Meeting shareholders will be asked to authorize an increase in the number of board members to nine. At the same meeting two new names will be nominated to the Board: Mr. François Mercier, Q.C., senior partner of Stikeman, Elliott, Tamaki, Mercier & Robb, barristers and solicitors, and Mr. Ernest Duby, C.A., of Ernest Duby & Co., Chartered Accountants. I am certain that Mr. Mercier, who serves as a director on the board of many large Canadian and international corporations, and Mr. Duby, who has been long associated with our Company, will make important contributions to our future development.

ADDITIONS TO MANAGEMENT

During the past year our management was strengthened by the appointment as Controller of Mr. John E. Jalbert, C.A., formerly with Riddell, Stead & Co., Chartered Accountants, and Mr. Sheldon Zimmer, M.B.A., as Assistant to the Senior Vice-President, previously employed as financial analyst supervisor with Bell Canada.

THE YEAR AHEAD

We are widening and strengthening our world-wide trade relations as well as increasing our lines of wearing apparel with many new products. We are deepening our penetration of the retail market across Canada and, consequently, have transferred an experienced salesman, Mr. Ohanes Guven, to Toronto to provide permanent sales coverage from our showroom in the Royal York Hotel.

These factors, combined with constant monitoring of costs and performance and a large backlog of orders for the coming year, provide our confidence of further increases in sales and earnings for the coming year.

INITIAL DIVIDEND

It gives me great pleasure to announce that at a meeting of the Board of Directors held on January 12, 1973, an initial quarterly dividend of 2 cents per share was declared on the Company's stock, payable February 15, 1973, to shareholders of record at the close of business on February 1, 1973. The board is confident that the Company has reached the stage in its growth and development to warrant the consideration of dividends on a regular basis.

OUR PEOPLE

On behalf of the Board of Directors, I wish to extend sincere appreciation to all members of the staff whose loyal and devoted efforts contributed to the achievement of the past year's results.

Michael Segal
President

RAPPORT DU PRÉSIDENT

AUX ACTIONNAIRES

Il me fait grand plaisir de rapporter les activités de votre compagnie pour l'année se terminant le 31 octobre 1972. Les états financiers ci-joints reflètent une forte amélioration dans tous les secteurs d'exploitation durant l'année écoulée.

VENTES

Les ventes s'élevant à \$10,682,447 sont les plus grosses de notre histoire et représentent une augmentation de 7.9% sur l'année précédente. Cette augmentation remarquable de \$780,479 est le résultat de nombreux facteurs comprenant: une équipe de supervision de ventes plus énergique, une augmentation de nos forces de ventes et une plus grande variété de produits prêts-à-porter. L'élan créé par l'activité des ventes accélérées se maintient pour l'année courante et nous sommes confiants de l'augmentation continue des ventes.

PROFITS

Nos profits nets pour l'année montrent une augmentation importante sur l'année précédente. Il est satisfaisant de rapporter que les profits nets sont de \$253,163 ou 26 cents par action, comparés aux profits nets de 1971 \$96,247 ou 10 cents par action. L'amélioration des profits est le résultat à la fois de l'augmentation des ventes et du contrôle plus serré des dépenses et de l'inventaire. L'efficacité de la direction dans ces domaines est reflétée par le fait que les profits cette année représentent 2.4% des ventes en comparaison avec 1.0% en 1971.

NOUVEAUX LOCAUX

Voilà un an que nous nous trouvons dans notre nouvel établissement, au 6255 rue Hutchison, Montréal. Les avantages de nos nouveaux locaux, qui vous ont déjà été exposés l'an dernier, sont un facteur additionnel dans l'amélioration des résultats rapportés dans les états financiers ci-joints.

En plus d'assurer un meilleur rendement des opérations, notre nouveau bureau-chef est muni d'une spacieuse salle d'exposition qui procure à notre équipe de vendeurs l'occasion d'étaler adéquatement une ligne complète de vêtements pour les magasins à chaîne et à rayons.

LA MODE POUR TOUTE LA FAMILLE

Avec la diversité de nos produits, nous offrons un service complet aux détaillants qui désirent servir toutes les parties de la population canadienne dans le domaine des vêtements. Comme nous pourvoyons à tous les goûts du marché en ce qui concerne la mode pour hommes, dames, garçons et filles, les clients peuvent ainsi habiller la famille entière avec des articles qui se prêtent à leurs préférences au point de vue mode et budget. Les chiffres de ventes indiquent l'acceptation de nos produits par un nombre grandissant de consommateurs, les commentaires favorables des acheteurs confirment notre réputation de fournir des vêtements de qualité qui représentent une bonne valeur pour le dollar.

MANUFACTURIERS MONDIAUX

Sous la supervision de notre équipe d'administration, nos manufacturiers outre-mer adhèrent à nos spécifications les plus strictes et à nos procédures d'inspection et de contrôle de qualité dans la fabrication des produits pour Les Industries Popular Limitée. Que les produits soient des jaquettes, pantalons, chandails, vêtements sports, vêtements de ski, chemises, blouses, tricotés et ensembles, ou vêtements de nuit, nos clients sont assurés de la qualité uniforme de fabrication.

Dû à la variété de nos produits, notre compagnie ne dépend pas seulement des items sous quota, nous serons toujours en mesure d'obtenir un volume suffisant de produits importés pour assurer une augmentation continue des ventes.

NOUVEAUX MEMBRES DU CONSEIL D'ADMINISTRATION

A la prochaine assemblée annuelle et assemblée générale spéciale, nous demanderons aux actionnaires l'autorisation d'augmenter à neuf le nombre des membres du conseil. A la même assemblée deux nouveaux noms seront mis en nomination au conseil: M. François Mercier, C.R., partenaire sénior de Stikeman, Elliott, Tamaki, Mercier & Robb, Avocats, et M. Ernest Duby, C.A., de Ernest Duby & Co., Comptables Agréés. Je suis certain que M. Mercier qui est directeur du conseil d'administration de plusieurs grandes corporations canadiennes et internationales, et M. Duby qui a été longuement associé avec notre compagnie, apporteront une contribution importante à nos développements futurs.

NOUVEAUX MEMBRES À L'ADMINISTRATION

Pendant l'année dernière nous avons renforcé notre administration par la nomination au titre de Contrôleur de M. John E. Jalbert, C.A., antérieurement avec Riddell, Stead & Co., Comptables Agréés, et M. Sheldon Zimmer, M.B.A., au titre d'Adjoint du Vice-Président sénior, auparavant employé à titre de superviseur analyste financier de Bell Canada.

L'ANNÉE PROCHAINE

Nous élargissons et renforçons nos relations commerciales mondiales et multiplions nos lignes de vêtements avec de nouveaux produits. La pénétration approfondie du marché de détail à travers le Canada a par conséquent nécessité le transfert d'un vendeur d'expérience, M. Ohanes Guven, à Toronto, permettant ainsi de couvrir en permanence les ventes provenant de notre salle d'exposition à l'hôtel Royal York.

Ces facteurs, en plus du contrôle constant du coût et du fonctionnement ainsi qu'une grande accumulation de commandes, nous donnent confiance quant à l'augmentation des ventes et profits pour l'année prochaine.

PREMIER DIVIDENDE

Il me fait grand plaisir d'annoncer que lors de l'assemblée du Conseil d'Administration qui eut lieu le 12 janvier 1973, un premier dividende trimestriel de 2 cents par action a été déclaré sur les actions ordinaires de la compagnie, payable le 15 février 1973, aux actionnaires enregistrés à la fermeture des transactions le 1er février 1973. Le conseil est confiant que la compagnie a atteint la phase de développement pour justifier la considération de dividendes, régulièrement.

NOTRE PERSONNEL

Au nom du Conseil d'Administration, je désire exprimer une appréciation sincère à tous les membres du personnel dont la loyauté et le dévouement ont contribué à la réalisation des résultats de l'année écoulée.

Michael Segal
Président





Upper Left: Sales Vice-Presidents conferring with our President in his office.

Far Left: General office area.

Left: A partial view of our expansive showroom.

Above: Receptionist's desk with the showroom reception area in the background.

Upper Right: Senior Vice-President at work in his office.

Centre Right: Conference room.

Lower Right: A portion of our merchandise on display in the showroom.



Popular Industries Limited

BALANCE SHEET as at October 31, 1972

ASSETS

	1972	1971
CURRENT		
Accounts receivable	\$2,486,191	\$1,466,759
Income taxes refundable	—	48,707
Merchandise inventory, at the lower of cost or net realizable value (Note 1)	3,969,158	3,573,914
Prepaid expenses	25,509	11,213
	<u>6,480,858</u>	<u>5,100,593</u>
OTHER		
Investment in subsidiary, at cost (Note 2)	<u>500</u>	<u>500</u>
FIXED		
Furniture and equipment, at cost	128,663	104,155
Automobiles, at cost	<u>17,756</u>	<u>17,756</u>
	146,419	121,911
Accumulated depreciation	<u>75,267</u>	<u>63,617</u>
	71,152	58,294
Alterations to leased premises, unamortized balance	<u>55,191</u>	<u>19,398</u>
	<u>126,343</u>	<u>77,692</u>
	<u>\$6,607,701</u>	<u>\$5,178,785</u>

Approved on behalf of the board:

Michael Segal, Director

Gerald Cohen, Director

Annual Report 1972

LIABILITIES

CURRENT	1972	1971
Bank indebtedness (Note 3)	\$2,354,928	\$1,602,392
Accounts payable and accrued charges	1,360,333	1,077,920
Income taxes payable	140,804	—
	<u>3,856,065</u>	<u>2,680,312</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (NOTE 4)

Authorized:

1,200,000 shares without par value

Issued:

975,000 shares	583,000	583,000
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RETAINED EARNINGS	2,168,636	1,915,473
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	<u>2,751,636</u>	<u>2,498,473</u>
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	<u>\$6,607,701</u>	<u>\$5,178,785</u>
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See accompanying notes to financial statements

Popular Industries Limited

STATEMENT OF EARNINGS AND RETAINED EARNINGS

for the year ended October 31, 1972

	1972	1971
SALES	\$10,682,447	\$9,901,968
Cost of sales, selling, general and administrative expenses, exclusive of depreciation, amortization and interest	<u>10,067,755</u>	<u>9,552,538</u>
	614,692	349,430
Depreciation and amortization	24,120	10,406
Interest	<u>102,409</u>	<u>150,777</u>
	126,529	161,183
INCOME FROM OPERATIONS	488,163	188,247
Provision for income taxes	<u>235,000</u>	<u>92,000</u>
NET EARNINGS FOR THE YEAR	253,163	96,247
Retained earnings—beginning of year	<u>1,915,473</u>	<u>1,819,226</u>
RETAINED EARNINGS—END OF YEAR	<u>\$2,168,636</u>	<u>\$1,915,473</u>
 EARNINGS PER SHARE	 26¢	 10¢

See accompanying notes to financial statements

Annual Report 1972

STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended October 31, 1972

	1972	1971
FUNDS PROVIDED		
From Operations		
Net earnings for the year	\$ 253,163	\$ 196,247
Non-cash items deducted in determining net earnings:		
Depreciation and amortization	<u>24,120</u>	<u>10,406</u>
	<u>277,283</u>	<u>106,653</u>
FUNDS USED		
Net additions to fixed assets	72,771	56,123
Investment in subsidiary	<u>—</u>	<u>500</u>
	<u>72,771</u>	<u>56,623</u>
INCREASE IN WORKING CAPITAL	204,512	50,030
Working capital—beginning of year	<u>2,420,281</u>	<u>2,370,251</u>
WORKING CAPITAL—END OF YEAR	<u><u>\$2,624,793</u></u>	<u><u>\$2,420,281</u></u>

NOTES TO FINANCIAL STATEMENTS

October 31, 1972

The following notes are applicable to the financial statements as at October 31, 1972. Reference is made to the previously issued report for the notes applicable to the statements as at October 31, 1971.

Note 1—Merchandise Inventory

The company follows the practice of recording duties in its accounts at the time goods are cleared from customs. Consequently, custom duties of approximately \$850,000, payable when goods are cleared, have not been included in the accounts of the company on goods in bond in the amount of \$2,269,571 and on goods in transit in the amount of \$707,615.

Note 2—Investment in Subsidiary

The financial statements of the subsidiary company, Park Warehouse Ltd., are not consolidated herein because the company has not commenced operations and has made application for leave to surrender its charter.

Note 3—Bank Indebtedness

Accounts receivable and warehouse receipts and bills of lading have been pledged as security for the bank indebtedness.

Note 4—Stock Option Plan

On October 12, 1972 the Board of Directors of the company adopted a Stock Option Plan covering 43,000 shares for key employees, subject to the approval of the shareholders and the regulatory authorities governing the company.

Any option granted under the plan will be exercisable for a period of 5 years from the date of the grant, provided that an employee shall not exercise, in any one year of the plan, more than 20% of the options granted to him plus any options unexercised by him in previous years. The exercise price under the plan may not involve a discount of more than 10% from the market value of the shares on the date of the grant.

Note 5—Directors' and Senior Officers' Remuneration

\$172,014 in aggregate direct remuneration to directors and senior officers has been deducted in determining net earnings for the year ended October 31, 1972.

Note 6—Litigation

An action has been instituted by a former employee and director claiming salaries and other amounts totalling approximately \$70,000. In the opinion of counsel, the claim is without merit and should the claimant be successful, the maximum liability, not provided for in the accounts, would not exceed \$26,000.

Note 7—Lease Commitment

Rent amounting to approximately \$84,000 per annum is payable under a long-term lease of facilities in Montreal to 1982.

AUDITORS' REPORT

To the Shareholders of
Popular Industries Limited

We have examined the balance sheet of Popular Industries Limited as at October 31, 1972 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at October 31, 1972 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec
January 9, 1973

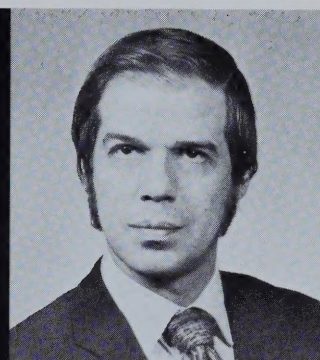
Richter, Usher & Vineberg
Chartered Accountants



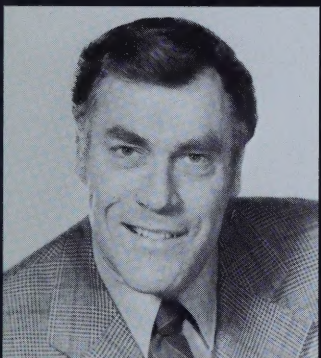
Michael Segal
President, Director



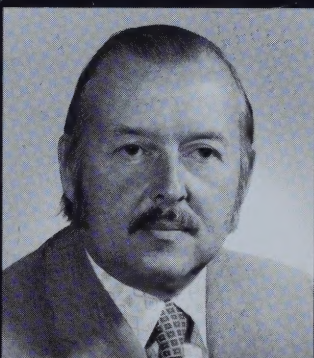
Gerald Cohen
Senior Vice-President, Director



Yoine Goldstein
Secretary-Treasurer, Director



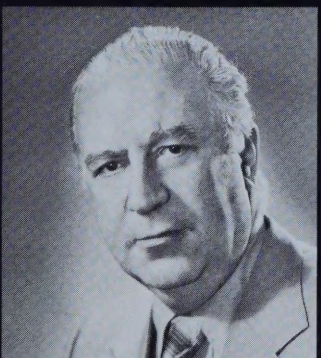
E. Allan Lovelace, C.A.
Director



Gordon C. Watt
Director



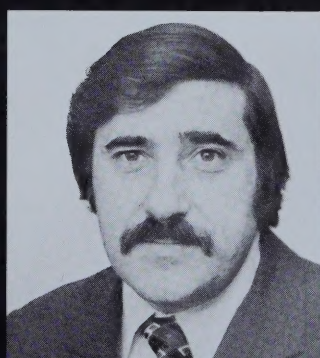
Stanley Butler, M.D.
Director



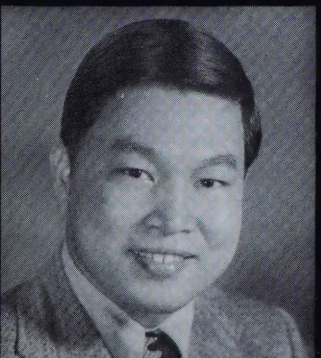
Jean-Eudes Saint Gelaïs
Director



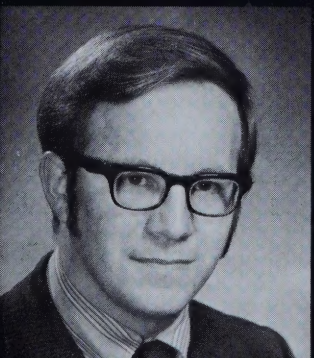
Charles Akerman
Vice-President, Sales



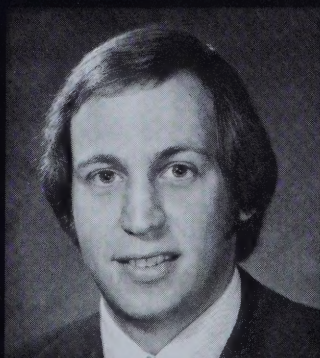
Seymour Steinman
Vice-President, Sales



John Ming Chen, B.Comm.
Far East Purchasing Manager



John E. Jalbert, C.A.
Controller



Sheldon Zimmer, M.B.A.
Assistant to Senior Vice-President

Serving the Whole Family . . .



Look for these Familiar Labels . . .



On these Products

- | | | |
|------------------|----------|-----------|
| • Jackets | • Slacks | • Blouses |
| • Suburban Coats | • Jeans | • Tops |
| • Ski Outfits | • Pants | • Shorts |
| • Sweaters | • Shirts | • Pajamas |

*Dress Wear . . . Casual Wear . . . Active Sportswear . . . Sleep Wear . . .
for Men . . . Women . . . Boys . . . Girls . . . Children*

